

Memorandum

Date : November 24, 1998

Telephone ATSS ()

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Bob Laurie, High Desert Committee Associate Member

File : MEMO015.WPD

From : California Energy Commission - Richard Buell
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Sacramento 95814-5512

Subject : High Desert Power Project (97-AFC-1) Status Report Number 10

The High Desert Power Project Committee=s October 6, 1998 ***Fourth Revised Scheduling Order*** directed staff and other parties to file a status report on November 24, 1998. This status report is our response to the Committee=s order.

AIR QUALITY

On November 2, 1998 the applicant submitted to the Mojave Desert Air Quality Management District (District) information regarding best available control technology (BACT). On November 10, 1998 the applicant filed its revised Emission Reduction Credit (ERC) plan for the project with the District. The applicant=s ERC plan relies, in part, on using volatile organic compounds (VOC) ERCs from the South Coast Air Quality Management District (South Coast AQMD) to offset the project=s nitrogen oxide (NOx) emissions. We have identified additional informational needs regarding these submittals and plan to issue data requests by December 1, 1998. In addition, we note that the applicant has referenced various Letters of Intent (LOIs) for ERCs and committed to provide them 45 days prior to the publication of the Final Staff Assessment (FSA). However, we have not received any LOIs, with the exception of the one provided earlier this year for purchase of ERCs from General Motors. We also note that these submittals raise a number of significant issues that will need to be addressed.¹

¹ For example, on November 13, 1998, the Feather River Air Quality Management District issued a final Determination for Compliance (DOC) for the Sutter Power Project specifying BACT NOx emission concentrations over a shorter averaging time than the applicant is proposing for the High Desert Power Project. The use of a longer averaging time for the High Desert Power Project is likely to be an issue for the U.S. Environmental Protection Agency (EPA). Interpollutant offsetting raises a number of policy issues for both EPA and the California Air Resources Board (ARB). In addition, we believe there are a number of discrepancies in the applicant=s proposed interpollutant emission offsetting proposal which will need to be addressed by the air regulatory agencies. It also should be noted that the applicant is proposing the absolute minimum interpollutant offset ratio (1:1). Any adjustment to the proposed interpollutant offset ratio resulting from the air regulatory agencies= review will mean the applicant needs to obtain more ERCs than it currently has identified.

The District will issue its revised Preliminary Determination of Compliance (DOC) during the week of December 7, 1998. We believe that significant review of the analyses and conditions contained in the Preliminary DOC will be necessary by the air regulatory agencies and interested parties before these agencies can reach a consensus on whether and what conditions should apply to approval of the High Desert Power Project. District rules provide 30 days for review of the Preliminary DOC, and we expect that the District will require an additional 30 days to respond to comments on the revised Preliminary DOC. We do not believe it efficient to file an FSA before the District has issued a Final DOC. Therefore, we are recommending first publishing a revised PSA, approximately 45 days after the revised Preliminary DOC (see project schedule below). We will publish an FSA 45 days after receipt of the LOIs from the applicant and receipt of the Final DOC from the District.

WATER RESOURCES

The City of Victorville has, on behalf of the High Desert Power Project, applied to the Mojave Water Agency (MWA) to receive 4,000 acre feet of State Water Project (SWP) water. To meet MWA requirements for SWP water, the Victor Valley Water District and the city have indicated to the agency that they will, subject to certain conditions, provide the project with groundwater when SWP water is not available. Although the application is for water delivery in calendar year 2002, the MWA has developed draft conditions necessary for approval of the application, which were adopted at the November 10, 1998 board meeting.

On November 9, 1998 the applicant submitted its revised water plan reflecting these changes. To comply with the conditions that the High Desert Power Project inject SWP water into the groundwater aquifer, a waste discharge requirement or a waiver will have to be issued by the Lahontan Regional Water Quality Control Board. The applicant has indicated that the report of waste discharge necessary to apply for this permit will be filed by the end of December 1998. Without this information, staff's analysis contained in the revised PSA of the water impacts of the proposal will not be complete.

FEDERAL AVIATION ADMINISTRATION

On November 16, 1998 we discussed with Mr. Dan Haynes, representing the Southern California International Airport (SCIA), the status of the Runway 21 designation. SCIA had originally filed paperwork with the Federal Aviation Administration (FAA) that Runway 21 was to be designated a nonprecision-B1 category runway. That runway designation was used by the FAA and the High Desert Power Project, LLC, in their calculations regarding the project's conformance with FAA regulations (Title 14, Code of Federal Regulations, Section 77, et seq.). Based on the nonprecision-B1 runway designation, a width of 500 feet for approach calculations was used. However, SCIA intends to

request redesignation of Runway 21 to a nonprecision-B2 category. Consequently, an approach width of 1000 feet should be used for calculation of conformance with FAA regulations. Based on this redesignation of the runway, and the use of a 1000 foot approach width in the calculations, Mr. Haynes indicated that the High Desert Power Project stacks would intrude into the transitional imaginary surface by approximately 10 feet. Mr. Haynes has discussed these calculations with the FAA, and the FAA has confirmed these calculations.

We need to understand the options being considered by the applicant to address this apparent nonconformance with FAA regulations. For example, the applicant could reduce the stack height by 10 feet or reconfigure the plant layout to move the stacks far enough away from Runway 21 to avoid the intrusion. However, reducing the stack height by 10 feet may require a reassessment of the staff's air quality air dispersion modeling analysis. Because it is uncertain how the applicant might address the potential nonconformance with FAA regulation, we do not believe it prudent to finalize our air dispersion impact modeling until the applicant has identified how it intends to address this issue. On November 18, 1998 we issued data requests regarding how the applicant intends to address this potential noncompliance; responses are due December 18, 1998. Consequently, our air quality dispersion modeling analysis, to be provided in the revised PSA, may be incomplete.

HAZARDOUS MATERIALS HANDLING

The applicant has identified apparent inconsistencies between staff's analysis presented in the Final Staff Assessment for the Sutter Power Project (97-AFC-2) and staff's analysis presented in staff's May 15, 1998 draft PSA for the High Desert Power Project and as discussed in subsequent workshops on the draft PSA. Staff is investigating these apparent inconsistencies and intends to conduct a conference call with the applicant and other interested parties by the end of the week of November 30, 1998. The purpose of the conference call will be to explain staff's analysis, eliminate any confusion regarding inconsistencies, and provide the applicant guidance on how to address any significant impacts identified in staff's analysis. The results of these discussions will be addressed in the revised PSA.

ALTERNATIVE ANALYSES

The applicant has stated that the U.S. Fish and Wildlife Service (USFWS) needs additional information from the Energy Commission regarding our alternatives analyses in order to complete its alternatives analysis for the federal Environmental Impact Statement (EIS) for the second natural gas pipeline. The applicant has requested a draft copy of staff's alternatives analyses. However, we were unable to complete a draft alternative analyses and distribute it to the applicant and USFWS as we previously indicated we would in our October 30, 1998 status report. We will release a

draft alternatives section by December 15, 1998, which will also be incorporated in the revised PSA.

PROJECT SCHEDULE

We have received most of the outstanding information from the applicant, except the Waste Water Discharge Permit application to the Lahontan RWQCB (expected by the end of December 1998), and answers to our data requests to clarify the applicant's proposal regarding conformance with FAA regulations and regarding BACT and Emission Offsets (see discussion above). However, we believe there are significant issues that still need to be addressed before we can recommend approval of the project. These issues include, but are not limited to, BACT averaging times, ERC interpollutant offset ratios, noncompliance with FAA regulations, appropriate hazardous materials handling significance criterion and mitigation, water resources impacts, and cultural and biological resources impacts associated with the second natural gas pipeline. In addition, the applicant has made major changes to the project which were not addressed in the draft PSA (e.g., added the second natural gas pipeline, eliminated the simple cycle configuration, changed the proposed BACT for the project, changed the emission offset strategy for the project, and changed the water supply plan for the project). Since our recommendations for these topic areas were not disclosed in our May 15, 1998 draft PSA, we believe there is a need to issue a revised PSA before proceeding to a Final Staff Assessment. We tentatively propose to publish our revised Preliminary Staff Assessment (PSA) 45 days after receipt of the Mojave Desert AQMD's revised Preliminary Determination of Compliance (PDOC). Although we are tentatively recommending publishing a revised PSA on January 21, 1999, there is a possibility that this analysis will not be complete with respect to air quality, compliance with FAA regulations, water resources, biological resources, and cultural resources due to the complexity of these issues and the need to obtain local and federal agency input in these areas. Nevertheless, we believe it is expeditious to publish our preliminary findings in these areas as soon as practicable.

The following schedule shows the events described above, including the tentative release of the revised PSA on January 21, 1999. For convenience of the High Desert Power Project Committee, we have shown the possible schedule through the beginning of hearings.

Suggested Schedule For High Desert Power Project (97-AFC-1)

DATE	EVENT
Oct 8, 1998	Cal-ISO filed Determination re: Interconnection Study
Nov 02, 98	Applicant filed revised BACT information
Nov 09, 98	Applicant filed revised Water Plan
Nov 10, 98	Applicant filed revised ERC plan
Nov 24, 98	Parties file tenth status report

Suggested Schedule For High Desert Power Project (97-AFC-1)

DATE	EVENT
Nov 25, 98	Applicant submits Mojave Water Agency proposed conditions (tentative)
Dec 01, 98	Staff issues data requests regarding BACT and ERC submittals
Dec 07, 98	Mojave Desert AQMD files revised Preliminary DOC and Final Banking Certificates (tentative)
Dec 18, 98	Applicant responds to data requests regarding compliance with FAA regulations
Dec 31, 98	Applicant files Waste Water Discharge Permit application with Lahontan RWQCB (tentative)
Jan 04, 99	Applicant responds to data requests regarding BACT and ERC plan
Jan 07, 99	Parties file comments on the revised Preliminary DOC
Jan 21, 99	Staff files revised PSA (tentative)
Feb 03, 99	Start workshops on revised PSA
Feb 08, 99	Applicant files Letters of Intent for ERCs
Feb 08, 99	File Prehearing Conference statements
Feb 08, 99	Mojave Desert AQMD files Final Determination of Compliance
Feb 17, 99	End workshops on revised PSA
Feb 25, 99	Prehearing Conference (tentative)
Mar 08, 99	Hearing Order and Notice of Evidentiary Hearings
Mar 25, 99	Applicant files documentation of the likely permit conditions BLM/USFWS will impose on the project
Mar 25, 99	Applicant submits option contracts or contracts securing ERCs, & agreements to supply water from serving entities
Mar 25, 99	Staff Files FSA and Parties file Testimony
Apr 01, 99	Parties file Rebuttal Testimony
Apr 15, 99	Start Hearings

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cc:	Proof of Service Chuck Fryxell, APCO Mojave Desert AQMP Matt Haber, U.S. EPA Charlie Kraus, VVWD Mark Zeiring, CPUC Rebecca Jones, CDFG Denise Washick, USFWS Roger Cannon, BLM	Ray Menebroker, ARB Robert Zeller, Mojave Desert John Vega, VVWD Norman Caouette, MWA Manuel Alvarez, Edison Ben Harris, USFWS Norman Riley, DTSC
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